

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

**ESTABLISHING THE ROLE, FUNCTIONS AND IMPORTANCE
OF PROGRAM MANAGERS AND PROGRAM MANAGEMENT
TEAMS IN THE AFP MODERNIZATION PROGRAM
ACQUISITION PROCESS: A COMPARATIVE ANALYSIS WITH
US DOD SYSTEM**

by

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March 2003

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AND PROGRAM MANAGEMENT TEAMS IN THE ARMED FORCES OF THE PHILIPPINES
MODERNIZATION PROGRAM ACQUISITION PROCESS: A COMPARATIVE ANALYSIS
WITH US DOD SYSTEM**

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ABSTRACT

This research describes the Acquisition Process of the Armed Forces of the Philippines (AFP) Modernization Program, particularly the role, functions and importance of Program Managers (PM) and Program Management Teams (PMT) in the overall process. The Modernization Program, including acquisition processes for new systems, is a new experience for the AFP. Apparently, the organization intends to optimize the acquisition process for new systems by ensuring an effective and accountable organization structure that would sustain AFP modernization efforts and capabilities.

Presently, PMs and PMTs are temporary in the organizational structure and have no concretely delineated role in the acquisition process. Their function and responsibilities are limited to the AFP Major Service requirement generation process.

Likewise, this research will introduce the US DoD acquisition system and illustrate the DoD PMs' and IPTs' roles and functions in defense programs. The paper will show the importance of the PM and IPTs to the overall life cycle of any system. By comparative analysis, the research will reveal limitations in the AFP approach. The US Acquisition model, relative to PMs and PMTs, will be useful for improving the AFP process. After all, the US has proven itself relatively successful in acquisition projects.

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I. INTRODUCTION

A. PURPOSE

This research determines and establishes standard roles and functions for Program Managers and Program Management Teams in the Armed Forces of the Philippines (AFP) Modernization Program Acquisition Process. To do this, existing laws, rules, and regulations pertaining to AFP acquisitions will be evaluated to ascertain roles and functions that the Program Managers and Program Management Teams can perform to ensure optimal results in acquiring new systems for the AFP, including sustainability and system disposal. This study will then assess the organization and management approaches to the acquisition processes, specifically Program Managers and Teams in the United States of America and Philippines defense establishments, and compare these systems and processes to determine problem areas in the AFP acquisition system. This research will also offer a unique understanding of the US acquisition system, recognizing the importance of PMs and IPTs in streamlining the acquisition decision process. Finally, this thesis provides an organizational framework for PM and PMT in the Modernization Program Acquisition process that is both applicable and suitable for the AFP. However, it also acknowledges the limitation of applying the US model since the AFP's acquisition process has evolved over time.

B. BENEFIT OF THE STUDY

The research will benefit the Department of National Defense, the Armed Forces of the Philippines, particularly the three major services, and other Government Agencies, which undertake major program or project acquisition, or even construction in line with their mandate of public service. With this objective in mind, the paper could serve as a pioneering basis for establishing Program Manager and Program Management Teams in all major acquisition programs in the AFP, and perhaps, in other agencies, to assure taxpayers an optimal return to their money in all government programs.

C. RESEARCH QUESTIONS

To accomplish the purpose of this paper, fundamental research questions were developed.

1. Primary

Can the organization and management of Program Managers and Program Management Teams in the AFP Modernization Program Acquisition Process be improved using the US DoD acquisition model as frame of reference?

2. Secondary

- Is the current acquisition process of the Armed Forces of the Philippines customer (defense providers) friendly and responsive?
- Is there a need to reengineer the acquisition process to expand the responsibility of the Program Managers and Program Management Teams of the Armed Forces of the Philippines?
- Are the Program Managers and Program Management Teams effective and efficient in the current acquisition process of the Armed Forces of the Philippines?
- Are the strengths and weaknesses of the Program Managers and Program Management Teams in both countries determinable and comparable?
- What would be the advantages and disadvantages of applying the US Acquisition model to the Armed Forces of the Philippines?

D. SCOPE AND LIMITATIONS

The scope of this thesis will be limited to developing an organizational framework and guidelines pertaining to the role and functions of Program Managers and Program Management Teams in the AFPMP acquisition processes for new systems. Pertinent Philippine laws, rules and regulations that impact the organization and functions of Program Managers and Program Management Teams in all Modernization Acquisition Programs will be examined and studied to establish their relevance to a more effective AFPMP. This thesis does not solve other issues or problems affecting the implementation of the AFPMP, nor does it supersede Department of National Defense (DND) Circular Number 1, implementing guidelines, rules, and regulations (IGRR) for the AFPMP. This study intends to provide a more organized and clearly defined process for concerned stakeholders of any given system in the acquisition program than what currently exists in the Philippine Defense establishment, as warranted. This thesis will conclude by recommending adopting an organizational framework and guide for both Program Managers and Program Management Teams to apply in acquiring any new Defense system or platform.

Likewise, it provides appropriate suggestions for amending rules and regulations, when such changes are needed.

E. LITERATURE REVIEW AND METHODOLOGY

The authors initially extracted data from previous and existing literature on the subject, as well as existing laws, rules, and regulations affecting the AFPMP. Online library catalogs and periodical databases were accessed. Relevant books, articles and other documents are cited as a result of these literature searches and are duly acknowledged in the List of References. Interviews, both personal and by-long distance telephone calls, were also conducted to gather first hand data from concerned AFP officials and practitioners. The information gathered were analyzed using both empirical and subjective study to determine whether there is a need to clearly define, identify, strengthen and firmly establish the roles and functions of Program Managers and Program Management Teams in the Acquisition Process, based on the overall impact of their contribution in acquiring and sustaining a system over its operational life cycle.

F. ORGANIZATION OF THE STUDY

This Thesis consists of six chapters. Chapter I present the purpose, scope and methodology of the research. Chapter II provides a background about the Philippines and a discussion of the AFP Modernization Act, the implementing guidelines, rules, and regulations of the Act, and other statutes, rules and regulations that affect the AFP Modernization Program. This chapter also discusses the AFP acquisition process and planning. Chapter III describes the AFP Program Management in Defense Acquisition, including the current roles of Program Managers and Program Management Teams, the Key Players in the Acquisition Process, and Profiles of the AFP Acquisition Workforce. Chapter IV describes the US DoD Program Management in Defense Acquisition. It addresses the Program Management Infrastructure and Processes relative to system acquisition. Chapter V is a comparative analysis and assessment of both the US and Philippine Defense Acquisition System, considering the utilization of Program Managers and Program Management Teams in the Acquisition Process. It analyses all information gathered from the research as described in the preceding chapters. Finally, Chapter VI answers the research questions, presents conclusions and recommendations regarding establishing a suitable and applicable organizational framework and standard guidelines to utilize PM and PMT in acquisition programs or projects, and suggests areas for research.

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II. AFP MODERNIZATION PROGRAM

A. BACKGROUND

This chapter gives an overview of the Philippines. It provides a basic history, culture, government, economy, the defense establishment, and background of the Filipino people, among others.

Furthermore, it reviews the AFP acquisition process for the AFPMP. It contains summary reviews on pertinent laws, statutes, rules, and regulations governing the Armed Forces of the Philippines Modernization Program and describes of the current AFP Acquisition Process.

B. ABOUT THE PHILIPPINES

The Philippine archipelago is geographically located between China and Borneo. The country consists of 7,107 islands, including Luzon, Visayas and Mindanao. The city of Manila is located on the island of Luzon. There are 14 regions, 73 provinces and 60 cities across the country. The climate is tropical with two seasons: wet and dry.

The Philippines is the third largest English-speaking country in the world, with an estimated population of 78 million. Although Pilipino or Tagalog is the national language, English is the language normally used for business, education and legal transactions. The Philippine education system is patterned after the American system, with English as the medium of instruction. There are a number of foreign schools with study programs similar to those in the United States.

The Philippines is the only country in Asia that is predominantly Christian, with 80 percent of its population belonging to the Roman Catholic faith. The country has over a hundred ethnic groups and a mixture of foreign influences. The kaleidoscopes of cultures have created a unique Filipino culture over the years.

Three Philippine Constitutions have evolved as the country develops a democratic system of government. It has a presidential form of government, much like in the United States of America. The economy is basically hinged on agriculture and light industry. The country is rich in mineral resources. Likewise, the country has well-developed industries in food processing, textiles, clothing, wood, forest products and home appliances, with fast-growing aquaculture,

microcircuit, garments and furniture sectors. It has recently begun developing natural gas as a power source.

C. DEPARTMENT OF NATIONAL DEFENSE

1. Background

The Philippine Department of National Defense (DND) was formally organized on November 1, 1939, pursuant to Executive Order No. 230. It was tasked to implement the National Defense Act (Commonwealth Act No. 1) passed by the National Assembly on December 31, 1935 and Commonwealth Act No. 340, creating the DND.

DND is primarily responsible for (a) providing necessary protection to the State and its National Territories against both external and internal threats; (b) directing, planning and supervising the National Defense Program; (c) maintaining law and order throughout the country; and (d) performing other functions as may be provided for by law. It is charged with supervising the country's National Defense Program. It is also responsible for overseeing field operations, to judiciously and effectively implement National Defense and Security Programs. The Department exercises executive supervision over the Armed Forces of the Philippines (AFP), the Government Arsenal (GA), the Office of Civil Defense (OCD), the Philippine Veterans Affairs Office (PVAO), and the National Defense College of the Philippines (NDCP).

The Undersecretary for National Defense (USND), the most senior undersecretary in the DND, is responsible for implementing the AFP modernization program. He is also responsible, policy-wise, for modernization programs in the Government Arsenal and the Self Reliance Defense Posture. Furthermore, he is responsible for developing and monitoring defense-security policy formulation at the macro level in coordination with the Undersecretary for Operations and Undersecretary for Civil Relations (USCR), including the AFP 5-year development program.

2. The Armed Forces of the Philippines

The Armed Forces of the Philippines (AFP) is responsible for upholding the sovereignty, supporting the Constitution, and defending the National Territory of the Republic against all enemies, foreign and domestic; advancing the national aims, interests and policies; planning and organization; and maintenance, development and deployment of its regular and citizen reserve

forces for national security. The AFP provides and ensures a stable and secure environment so that the government can build and sustain a stable, just and progressive society for the citizenry.

Its functions include the following:

- a. Secure and protect the State against all forms of threats- either external or internal.
- b. Pursue activities, which shall project the image of the AFP as the protector of the people and a partner of government in nation building.
- c. Assist in maintaining peace and order and law enforcement activities.
- d. Pursue the Self-Reliant Defense Posture (SRDP) Program to reduce foreign dependence for defense materials and technology, and develop a viable defense industry to promote economic developmental activities and progress.

D. PERTINENT STATUTES, RULES, AND REGULATIONS

In line with its Constitutionally mandated mission and function, the AFP received authority to obtain new weapons systems and other equipment from the Republic Act (RA) 7898, otherwise known as the AFP Modernization Act. This statute was signed into law on 23 February 1995. RA7898 empowers the AFP to modernize its forces to a degree where it can fully and effectively perform its mandate to defend sovereignty, and protect and preserve the national patrimony of the Republic of the Philippines.

The Modernization Law also specifies the size and shape of the AFP in terms of personnel strength, equipment and facilities that the Defense establishment will have to develop within a fifteen-year period. In support of RA7898, the AFP Modernization Program was approved by Congress through Joint Resolution (JR) Number 28 on 19 December 1996. This resolution prescribes the size and organizational structure of the AFP as it goes through the modernization process. It addresses capability development in the AFP across the five components identified in the overall modernization program. The five programs include force restructuring and organizational development, material and technology development, base development, human resource development and doctrines development.

To jumpstart the Modernization Program, 50 Billion pesos for the first five years was to be appropriated through the AFP Modernization Act Trust Fund (AFPMATF).

RA 7898 essentially requires the Defense establishment to:

1. Give preference to Filipino contractors and suppliers or foreign contractors and suppliers willing and able to locate a substantial portion of production in the Philippines;
2. Incorporate in each contract/agreement, as much as possible, provisions for counter-trade, in-country manufacture, co-production schemes or other innovative agreements; and
3. Include in the contract transferring the principal technology involved for the AFP to operate and maintain.

The DND Circular No. 29, “Implementing Guidelines to RA 7898,” was issued on 19 May 1996. DND Circular No. 1, “Implementing Guidelines, Rules, and Regulations (IGRR) of the AFP Modernization Program” superseded this. The IGRR provides details on the objectives of the statute and defines the policies for implementing the five components of the Modernization Program. It also describes the acquisition process under the AFPMP.

Other laws, rules, and regulations that impact on the AFP acquisition process include the following:

1. Executive Order No. 40 (EO 40)

Issued on 08 October 2001, which consolidates the procurement rules and procedures for all national government agencies, government-owned or controlled corporations, and government financial institutions, and requires using the government electronic procurement system. It provides for preparing, maintaining, and updating a Procurement Management Plan and establishing a single Bids and Awards Committee (BAC) subject to certain exceptions, including complexity and number of items to be procured. Additionally, EO 40 mandates that all government agencies use the Electronic Procurement System (EPS) in accordance with the policies, rules, regulations, and procedures adopted by the Procurement Policy Board (PPB).

2. Executive Order No. 262 (EO 262)

Issued on 05 July 2000, amended Executive Order No. 302 of 1996 and Executive Order 201 issued in 2000. It provides the policies, guidelines, rules, and regulations for procuring goods and supplies by the national government. EO 262 also provides guidelines for creating the Pre-qualification, Bids and Awards Committee (PBAC). This EO governs procurement contracts under the capability, materiel and technology development component of the Program.

3. Executive Order No. 109 (EO 109)

Issued in May 2002, streamlines the rules and procedures for reviewing and approving all contracts entered into by departments, bureaus, offices, and government agencies. EO 109 authorizes the department secretary full authority to enter into all government contracts and to give final approval on contracts entered into by their respective departments, bureaus, offices and agencies.

4. Executive Order No. 120 (EO 120)

Issued in 1993, its implementing rules and regulations direct the national government, its departments, bureaus, agencies and offices, to include government-owned and controlled corporations, and to adopt counter-trade as a trade tool for procurement contracts worth US One Million Dollars or more (\$ 1.0 M). Based on recent developments, the Secretary of National Defense (SND) has set the counter-trade requirement to 100%.

5. Department of Finance/Department of Budget/Commission on Audit Joint Circular Number 4-98

Provides rules and regulations for properly handling and administering the AFP Modernization Trust Fund (AFPMPTF).

6. AFP Manual 4-2, AFP Procurement System Issued in 1995

Provides for logistics support management and describes the acquisition system, policies, and procedures for acquiring major systems consistent with RA 7898 and the IGRR.

7. AFP Manual 4-6, AFP Capital Equipment Acquisition Manual

Institutionalizes the capital equipment acquisition process in the AFP. It serves as a guide for acquiring major capital equipment in the AFP and discusses the equipment acquisition organization, the code of ethics, the acquisition process, risk management, and the self-reliant defense program.

**8. AFP Standard Operating Procedures (SOP) Number 6, 7, 8, and
9 All Issued on 30 August 2000**

SOP No. 6 creates the AFP Modernization Board and prescribes the functions, composition, duties and responsibilities of the AFP Modernization Board members, governing policies and procedures. SOP No. 7 defines the functions, organization, duties and responsibilities of the Pre-qualification, Bids and Awards Committee (BAC) members, policies

and procedures regarding the BAC. SOP No. 8 prescribes the functions, composition, duties and responsibilities of members, policies and procedures for the Project Management Teams (PMTs). SOP No. 9 provides for the policies and procedures used to procure equipment and weapons systems under the AFP Modernization Program.

9. AFP Standard Operating Procedure (SOP) Number 2 Issued in February 1997

Creates the Bids, Awards, and Negotiations Committee, amended to the Bids and Awards Committee (BANC), and prescribes their composition, functions, and responsibilities. The BANC is assigned one modernization project. It is tasked to evaluate and select a contractor and subsequently prepare the contract for that project. The BAC is dissolved following contract approval and signing.

10. Philippine Navy Circular Number 2 Series of 1993 or the PN Ship Acquisition Project Management System (SAPMS)

Established the SAPMS for effective implementation of the PN Fleet Modernization Programs even before the AFP Modernization Act was passed. It prescribed policies and procedures for the SAPMS and prescribed the functions, composition, duties, and responsibilities of the Ship Acquisition Project Management Team (SAPMT). While still applicable, this circular has been superseded by other issuances from higher headquarters.

The AFP Modernization Act and the other issuances, guidelines, rules, and regulations pertaining thereto provide detailed procurement procedures for the AFPMP. As observed, the statutes and policies promulgated are less explicit regarding acquisition planning and the roles and functions of Program Managers and Program Management Teams over the system being acquired. The statutes and policies merely provide a format for the Project Management Acquisition Plan. These laws and issuances are not clear on what training or education is required, or how to provide the necessary training and education for personnel who will be designated as either Program Managers or members of Program Management Teams for the AFP. There is no clear identification of the role and functions of the PM and PMT over system acquisition nor are there guidelines in the qualification and designation of such positions. Of significant importance to the success of AFPMP equipment and weapons systems acquisitions is a workforce that has the education, experience, and training for requirement generation, program management and contract negotiations. As it is, who is responsible for the acquisition plan is not

explicitly identified. One can only assume that the overall acquisition plan for a desired system is within the responsibility and function of a program manager and/or a program management team.

The AFP has very few officers who have the education and training for acquisition planning, with many involved in requirement generation and negotiations and contracting. While the AFP does not lack strategic planners, it does lack acquisition and contract planners. The AFP has two qualified contracting officers who just graduated from the Naval Postgraduate School, Monterey California, but has no qualified program managers who have the education and experience for acquisition planning, and contracting.

The basis for acquisition planning in the AFP Modernization Program is the IGRR. The IGRR mandates that the Major Services plan the procurement for equipment or weapons systems without the attendant responsibility for contract negotiation. However, the IGRR does not provide for more logical and specific guidelines for acquisition planning except to say that the Project Management Teams (PMTs) of the Major Services are responsible for single procurement project from identification up to implementation. While it is true that the PMTs are responsible for formulating the CORs and the BEPs, it is not quite clear how these are going to be conducted and what standards are to be followed in the planning process. The IGRR is much too vague for the Major Services to provide a realistic and responsive acquisition plan for the AFP Modernization Program.

AFP Manual 4-2 provides that the cognizant program manager, among all other duties, develops an acquisition strategy tailored to the acquisition program; but it does not say how the strategy is to be developed. The acquisition strategy provides the basis for the acquisition plan, however this is not included in the manual. This manual provides policies and issues that should be considered in acquisition planning, including promoting and sustaining competition, integrated logistics support, life-cycle costing, source selection and evaluation procedures, contract award and administration. However, these are not presented in a coherent and structured manner like in an acquisition plan.

AFP Manual 4-6 provides for organizing PMTs in accordance with the IGRR. Its broadly stated responsibilities are to monitor and review records of proceedings of all committees/agencies working on the project, implement the contract, monitor progress of the project after

turn-over to the user, and turn-over the project to concerned staff when appropriate. The emphasis of this manual is, once again, on the acquisition process, although it provides more policies than AFP Manual 4-2. It incorporates detailed project risk management over cost, schedule, and performance. This manual only has a project management acquisition plan format as an annex, without the necessary guidelines on how to accomplish it.

E. THE AFP ACQUISITION PROCESS

Before the abrogation of the US Bases Treaty in 1991 and the passage of the AFP Modernization Act, acquisition was not a major defense activity. Weapon systems were normally provided through FMS as part of US military aid to the Philippine Government.

Requirements generation had a very simple structure whereby the major services determined their own requirements through their weapons board. The major services weapons boards submitted their requirements to the major service commander for endorsement to AFP General Headquarters. They were then reviewed by the AFP Weapons Board and submitted to the Chief of Staff AFP (CSAFP) for his subsequent approval. The approved requirements were then forwarded to the SND for approval prior to acquisition. The requirements were then provided by the US through its Foreign Military Sales program and the major service usually received what the US decided best addressed the military need. There were no appropriate laws, rules or regulations that could guide acquisition for major defense projects, mainly because the Philippine defense establishment never really embarked on such activities.

There was no acquisition organization, much less Program Managers and Program Management Teams, for major acquisition programs and this is the situation that exists today, even after passing the AFP Modernization Act. The acquisition process for the AFPMP capability development programs changed. In addition, numerous government statutes and policies hindered or even terminated programs implementation. Political uncertainty in program implementation is further aggravated by financial resource constraints associated with the country's depressed economic situation.

AFPMP acquisition and contracting is conducted in two stages: the equipment acquisition stage (project definition and validation); and the contract negotiation stage. The following activities are conducted during project identification and validation:

1. Major Services organize their respective Project Management Teams (PMTs), each of which is responsible for a single procurement project in both identification and implementation stages, upon approval from higher headquarters. PMTs normally include a minimum of three officers, headed by the project manager. They are responsible for formulating the Circulars of Requirements (CORs), which define the operational and technical requirements of the Major Services, and the Bid Evaluation Plan (BEP), which includes the procedure for acquiring equipment or weapons systems and indicate the method of procurement, the pre-qualification of bidders, and the bidding process up to and including contract award. The Major Service Modernization Board reviews and validates the CORs and BEPs and the Major Service Commander endorses it to the AFP Modernization Board.

2. The AFP Modernization Boards, together with the AFP-DND Technical Working Group, review and validate the CORs and BEPs (Figure 2-1). The record of its proceedings is then appended to its recommendations to the Chief of Staff, AFP and contains all the deliberations between the AFP Modernization Board, AFP-DND Technical Working Group, and the Major Service Modernization Board. CORs and BEPs are submitted to the Secretary of National Defense for approval, but are reviewed by the DND Review Board before the SND issues the Procurement Directive (Figure 2-2).

AFP ACQUISITION PROCESS

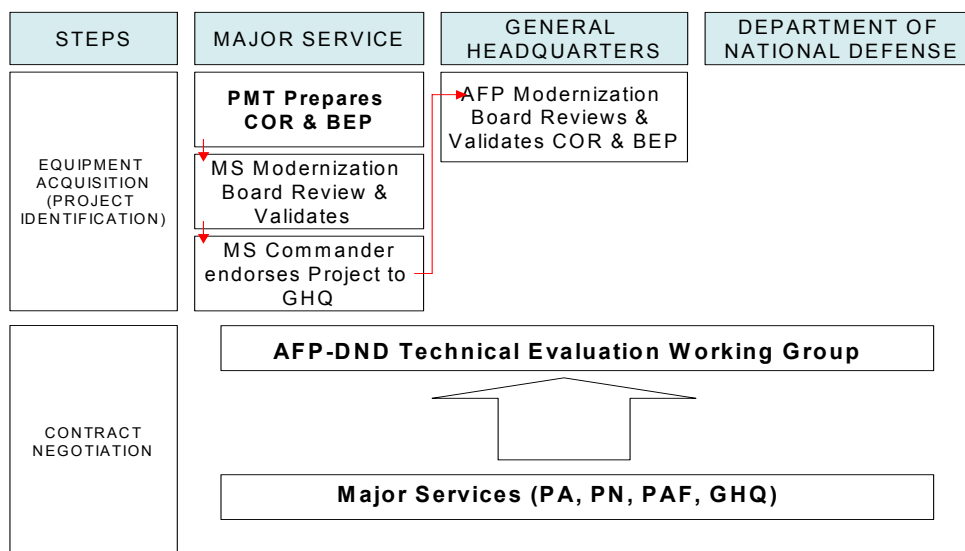


Figure 2-1 AFP Acquisition Process (From Ref. 12)

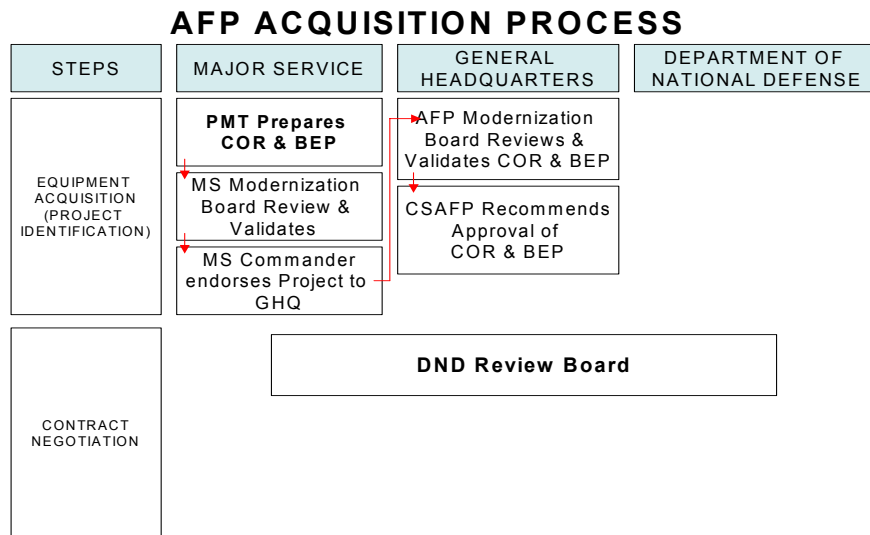


Figure 2-2 AFP Acquisition Process (From Ref. 12)

The second stage, contract negotiation, starts at the AFP General Headquarters and includes the following activities:

1. After receiving the Procurement Directive from the SND, the CSAFP then creates the Bids And Awards Committee which is responsible for determining eligibility, evaluating bids, conducting the bidding, post-qualifying the most advantageous bid (MAB) and recommending the contract award. Figure 2-3 shows the BAC bidding process. At this point, the Joint Counter Trade Working Group (JCWG) evaluates the technical and financial aspects of the bid and the economic packages associated with it, and submits its evaluations to the BAC. The CSAFP then endorses the MAB to the SND for approval.

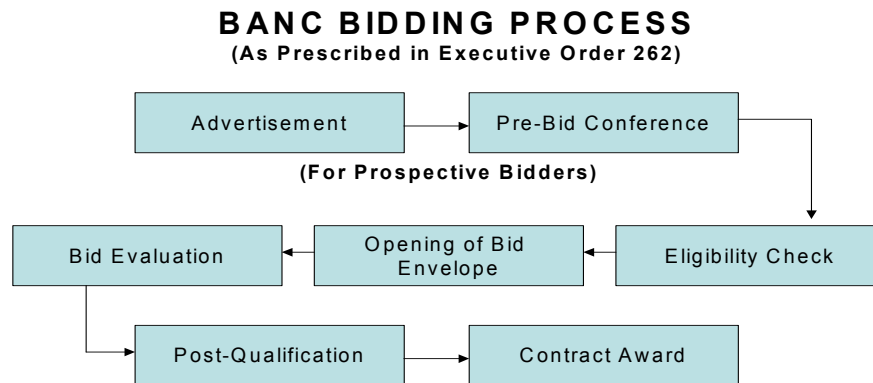


Figure 2-3 BANC Bidding Process for the AFPMP (From Ref. 12)

2. The SND approves the MAB and issues the Notice of Award.

3. The BAC then prepares and finalizes the contract, assisted by the AFPMP Modernization Office, and the CSAFP reviews and endorses the contract to the SND. Upon signing the contract with the winning bidder, the SND issues a Notice to Proceed.

Copies of the approved contract are forwarded to Congress, if it is multi-year contract, to enable Congress to appropriate funds for the contract pursuant to Section (b) and (c) of Republic Act 7898. If it is a negotiated contract that exceeds 300 million pesos, the National Economic and Development Authority Reviews and approves the contract prior to its implementation (Figure 2-4).

AFP ACQUISITION PROCESS

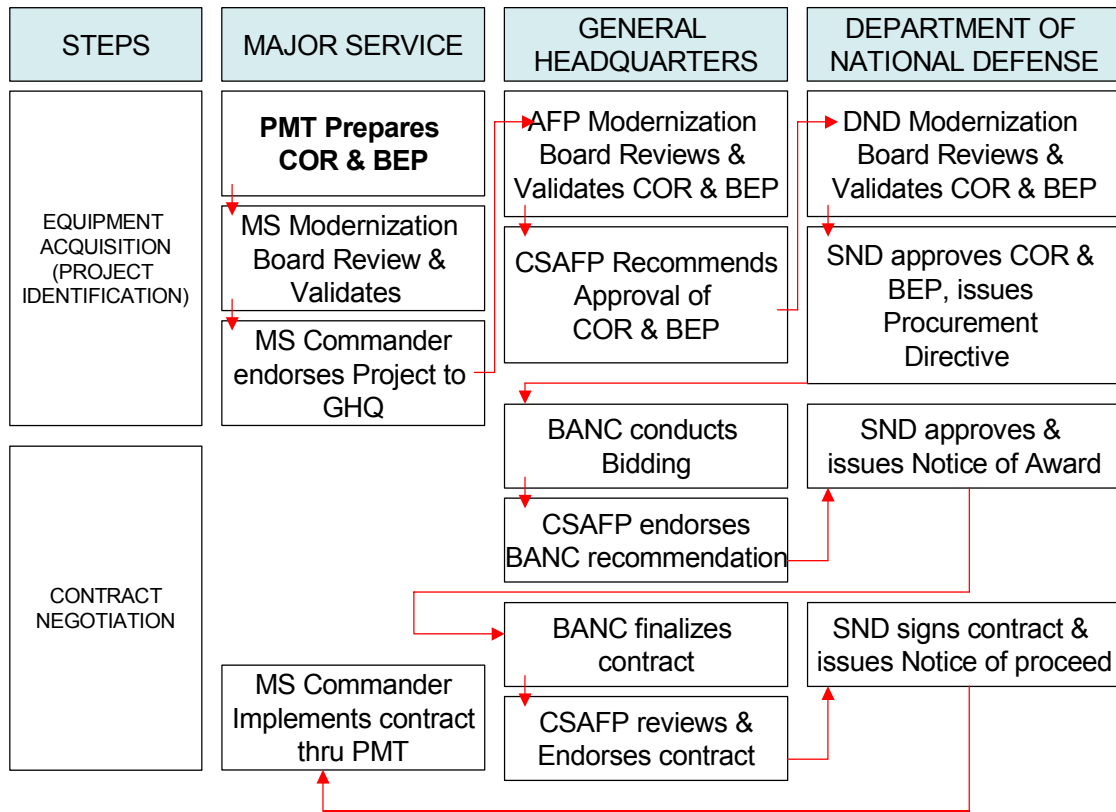


Figure 2-4 AFP Acquisition Process (From Ref. 12)

4. The PMT then implements the contract. Acquisition planning for the AFPMP is built into the acquisition and contracting process, but, as mentioned earlier, there are no structures, standards or guidelines for the Major Services PMT to implement the contract based on an acquisition plan.

As summarily stated earlier, the AFP has no experience in actual major acquisition of systems wherein it spends internal funds and not money or grants given as foreign assistance. Before, AFP acquisitions mostly came through Foreign Military Sales (FMS) funds from the US. This inexperience in major acquisitions, such as for the AFPMP, underscores the importance of having an acquisition plan to establish a logical and systematic approach to meet a government need and a pool of qualified and credible Program Managers and Program Management Teams to oversee the system acquisition and life-cycle.

F. CHAPTER SUMMARY

This chapter gave an overview of the Philippines, its history, political system, people, economy, and religion. More importantly, the literature review revealed that the role and functions of Program Managers and Program Management Teams in a system's acquisition and life cycle is not clearly defined nor is the importance of these functions appreciated in the overall acquisition process. While the equipment acquisition process itself is clear, there is a need to identify and establish the importance of the PM and PMT in the system's existence. In prevailing statutes, rules, and regulations cited in this chapter, the PM and PMT roles, functions and importance was never given the recognition they deserve. The only regulation that even mentions PMs and PMTs in great detail is the AFP Manual 4-6.

Given the importance and complexity of acquisition, including contract negotiation and supervision, and monitoring the system life cycle, and because the AFP has very little experience in major systems, programs or projects, using PM and PMT to oversee the system is not an option but a necessity for ensuring success.

The next chapter will address AFP Program Management in Defense Acquisition, including the current roles and functions of PM and PMT.

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III. AFP PROGRAM MANAGEMENT AND THE ACQUISITION PROCESS

A. INTRODUCTION

The Armed Forces of the Philippines Modernization Program is based on Republic Act 7898, AFP Modernization Act, promulgated on 21 February 1995 and supplemented by Congressional Joint Resolution No. 28, dated 19 December 1996. The Joint Resolution prescribes the size and organizational structure of the AFP as it undertakes the modernization endeavor.

AFP Modernization is focused on the five (5) main capability development thrusts: Force Restructuring and Organizational Development, Material and Technology Development, Base Development, Human Resource Development and Doctrine Development.

To implement the Modernization Program, the Department of National Defense formulated DND Circular No. 29, entitled “Implementing Guidelines to RA 7898,” was issued on 19 May 1996. DND Circular No. 1, “Implementing Guidelines, Rules, and Regulations (IGRR) of the AFP Modernization Program” superseded this. The IGRR provides details on the statutes’ objectives. It defines the policies for realizing the five components of the Modernization Program. It also describes the acquisition process under the AFPMP.

In summary, AFPMP acquisition and contracting is conducted in two major stages: the equipment acquisition stage (project definition and validation); and the contract negotiation stage. The equipment acquisition stage includes the following:

1. Major Services organize their respective Project Management Teams (PMTs), each of which is responsible for a single procurement project in all its stages, from identification up to implementation, except the Contract Negotiation stage. PMTs normally include a minimum of three officers, headed by the project manager. They are responsible for formulating the Circulars of Requirements (CORs), which define the operational and technical requirements of the Major Services, and the Bid Evaluation Plan (BEP), which includes the procedure for acquiring equipment or weapons systems, including the method of procurement, the pre-qualification of bidders, and the bidding process up to and including the contract award. The

Major Service Modernization Board reviews and validates the CORs and BEP, and the Major Service Commander endorses it to the AFP Modernization Board.

2. The AFP Modernization Board, together with the AFP-DND Technical Working Group, reviews and validates the CORs and BEPs. The records of its proceedings are appended to its recommendations to the Chief of Staff, AFP and contain all the deliberations between the cognizant AFP Modernization Board, AFP-DND Technical Working Group, and the Major Service Modernization Board. CORs and BEPs are submitted to the Secretary of National Defense for approval, but are reviewed by the DND Review Board before the SND issues the Procurement Directive.

The second stage, contract negotiation, starts at the AFP General Headquarters and includes following the activities.

1. After receiving the Procurement Directive from the SND, the CSAFP creates the Bids And Awards Committee, which is responsible for determining eligibility, evaluating bids, conducting the bidding, post-qualifying the most advantageous bid (MAB) and recommending the contract award. Figure 2-3 shows the BAC bidding process. At this point, the Joint Counter trade Working Group (JCWG) evaluates the technical and financial aspects of the bid and the associated economic packages, and submits its evaluations to the BAC. The CSAFP then endorses the MAB to the SND for approval.

2. The SND approves the MAB and issues the Notice of Award.

3. The BAC then prepares and finalizes the contract with assistance from the AFPMP Modernization Office. Thereafter, the CSAFP reviews and endorses the contract to the SND. Upon signing the contract with the winning bidder, the SND issues the Notice to Proceed.

Copies of the approved contract are forwarded to Congress when it is a multi-year contract to enable Congress to appropriate funds for the contract pursuant to Section (b) and (c) of Republic Act 7898. If it is a negotiated contract that exceeds 300 million pesos, the National Economic and Development Authority Reviews and approves the contract prior to its implementation.

4. The PMT then implements the contract. Acquisition planning for the AFPMP is part of the acquisition and contract process, but, as mentioned earlier, there are no structures,

standards or guidelines for the Major Services PMT to implement the contract based on an acquisition plan.

B. STAKEHOLDERS IN THE ACQUISITION PROCESS

The following agencies and entities are crucial in the AFP Modernization Program Acquisition Process for an identified system to be acquired by the Armed Forces of the Philippines, arranged by hierarchical authority over the program:

Congress (Senate and House of Representatives) – provides funds for the AFP Modernization program.

The President and Commander In Chief – approves all contracts under the AFPMP worth Fifty Million Pesos (P 50,000,000.00) or more, whether multi or single year.

National Economic Development Authority (NEDA)- a government entity that reviews and evaluates contracts for Presidential approval.

Philippine International and Trade Commission (PITC) – a government entity that evaluates counter-trade agreements in contract packages connected with AFPMP system acquisition.

Department of National Defense (DND) – exercises executive supervision over the Armed Forces of the Philippines, and six (6) other Bureaus related to National Defense.

DND Review Board (DNDRB) – a Department of National Defense created entity that evaluates bids being placed for subsequent approval or endorsement by the Secretary of National Defense.

Secretary of National Defense (SND) – refers to the Head of the DND, who approves all contracts under the AFPMP worth less than Fifty Million Pesos (P 50,000,000.00) and categorized as a single-year contract.

Defense Modernization Office (DMO) – created at the Department of National Defense to supervise and implement the AFP Modernization Program.

Armed Forces of the Philippines (AFP) – refers to the military establishment comprised of three major services – the Philippine Army, the Philippine Navy and the Philippine Air Force.

AFP-Joint Counter Trade Working Group (JCWG) – evaluates the counter-trade component of bids or offers and prepares the counter-trade agreements.

Chief of Staff, AFP (CSAFP) – refers to the Head of the Armed Forces of the Philippines.

Senior Management Oversight Committee (SMOC) – exercises supervisory and review functions over the Bids, Awards, and Negotiations Committee (BANC). It includes the different component committee chairman of the AFP Modernization Board (The Deputy Chief of Staff for Personnel, J1; The Deputy Chief of Staff for Operations, J3; The Deputy Chief of Staff for Logistics, J4; The Deputy Chief of Staff for Plans and Programs, J5; The Deputy Chief of Staff for Comptrollership, J6; and The Deputy of Staff for Education and Training, J8), Chief of Staff of the Major Services, The Judge Advocate General, AFP (TJAG), and is headed by the Deputy Chief of Staff, AFP (TDCS).

AFP Modernization Program Management Office (AFPMPMO) – assists and advises the CSAFP in managing and implementing the AFP Modernization Program, and in generating funds for the AFP Modernization Act Trust Fund.

AFP Modernization Board (AFPMB) - also known as the AFP Weapons Systems board, reviews and validates the Circular of Requirements (CORs) and Bid Evaluation Plans (BEPs). It serves as the advisory body of the CSAFP in implementing the AFPMP.

Bids Awards and Negotiation Committee (BANC) – manages Contract Negotiation, including the public bidding process.

BANC Secretariat - an administrative group composed of representatives from cognizant J-staffs, which provide general administrative support to all BANCs

Major Services - refers to the three armed services of the AFP, namely: Philippine Army (PA), Philippine Navy (PN) and Philippine Air Force (PAF). The equipment acquisition stage starts at the Major Services level.

Program Managers (PM) - an officer designated by Major Services to head a Program Management Team in forming the Circular of Requirement and Bid Evaluation Plan for a system considered for acquisition by that Major Service.

Program Management Teams (PMT) - a team of officers designated by the Major Services to formulate the Circular of Requirement and Bid Evaluation Plan for a system considered for acquisition by that Major Service.

Major Service Modernization Program Offices - assist and advise their respective Commanders in managing and implementing the Major Service modernization projects.

Major Services Modernization Boards - serve as the advisory body of their respective Major Service Commanders in implementing the Major Services Modernization Program.

C. AFP MODERNIZATION PROGRAM MANAGEMENT

Using the US definition, Program Management, is a process whereby a single leader exercises authority and responsibility for planning, organizing, staffing, controlling, and leading the combined efforts of participating/assigned civilian and military personnel and organizations, to manage a specific Defense acquisition program or programs, through development, production, deployment, operations, support, and disposal. The AFP has a limited role in the development process.

AFP Program Management encompasses the whole acquisition process, however, a particular system is handled at various level of the process by different entities with diverse functions and authority. Overall, the acquisition system goes through a step-by-step process, without a particular or designated specialized oversight group of people to ensure that the process flows unhampered. Likewise, project management in the AFP does not include the whole life cycle of a system or equipment. It is limited to acquisition alone and the future plans for modification or upgrade to the system are left uncertain.

D. CURRENT ROLE OF PM AND PMT

In the AFP Modernization Program, Program Managers and Project Management Teams are organized at the major service level. They are tasked to formulate the Circular of Requirements and Bid Evaluation Plan for a specifically identified system considered for acquisition. After formulating both documents, PM and PMT await contract approval, after it goes through the defense bureaucracy, for subsequent implementation. Implementation of the contract, in this stage, is not clearly defined by any policy but is rooted in the contract provisions.

In the AFP setting, PM and PMT are designated by their major services, depending on their qualifications relative to the type and capability of a weapon system being considered for acquisition. PM and PMT members are temporarily designated to their function. Said function may not be primary and could be assigned as collateral duties. Also, since PM and PMT duties are temporary, the team immediately dissolves once the contract is implemented.

E. SUMMARY

This chapter gave a summary of the AFPMP Acquisition Process, the Major Stakeholders that encompass the whole System Acquisition Process, and the role and functions of the Program Managers and Project Management Teams in this process.

The role and functions of Program Managers and Project Management Teams in the acquisition and life cycle of a system are not clearly defined nor is their importance clearly appreciated in the overall acquisition process. While the equipment acquisition process itself is clear, there is a need to identify and establish the importance of the PM and PMT in the system. In the prevailing statutes, rules, and regulations, PM and PMT roles, functions and importance has never been given the importance it deserves. Given the complexity of acquisition, the role and functions of the PM and PMTs is crucial in the overseeing of a system acquisition. At present, the acquisition process is full of political power play rather than technical oversight over a system acquisition.

The next chapter will present the US DoD Acquisition model and will provide insight into the roles and functions of the Program Manager and Program Management Teams in the DoD Defense Acquisition System.

IV. THE US DEPARTMENT OF DEFENSE PROGRAM MANAGEMENT IN DEFENSE ACQUISITION

A. INTRODUCTION

US Defense Acquisition process is so complex that DoD needs to designate a single leader to centralize authority and responsibility over the corresponding activities. In this context, DoD made a policy to designate program managers on all Defense systems programs. They serve as agents of the military service or Defense agency, and as such their prime responsibility is to direct, develop, produce, and initially deploy the Defense system and to ensure that the war fighters' modernization requirements are met efficiently and effectively. All activities of the acquisition process have to be conducted within the limits of cost, schedule, and performance, as approved by the program manager's executive. Details of the acquisition process will be discussed later in the chapter. (Source from IDAM)

B. DEFINITION OF PROGRAM MANAGEMENT

The US defines Program Management as a process whereby a single leader exercises authority and responsibility for planning, organizing, staffing, controlling, and leading the combined efforts of participating/assigned civilian and military personnel and organizations, for the management of a specific Defense acquisition program or programs, through development, production, deployment, operations, support, and disposal.

In the concept of the new Defense systems, integrated products and process development are managed using Program Managers and multidisciplinary teams called "Integrated Product Teams." Hand in hand, these key DoD acquisition system personnel work parallel with the Defense industry, which operates and staffs their program office similar to the government they support. (Source IDAM)

C. KEY PLAYERS IN THE DEFENSE ACQUISITION PROGRAM

In 1986, President Reagan approved and implemented a streamlined reporting chain, from program managers of major Defense Acquisition Programs to the top-level executive. This Defense acquisition system resulted from a comprehensive review conducted by the former Deputy Secretary of Defense, David Packard, creating a single top-level Defense Acquisition Executive responsible for the Defense Acquisition process.

In 1989, President Bush reemphasized the Packard Commission review and further reinforced the importance of the streamlined reporting chain for all program managers. He stipulated that the reporting chain include no more than two levels of management oversight between program manager and the milestone decision authority for all acquisition programs. This structure provides a clear line of authority, running from the USD (AT&L), through the Component Acquisition Executives and Program Executive Officers, to the individual program managers of ACAT ID programs. In ACAT IAM programs, it is the Assistant Secretary of Defense who serves as the milestone decision authority. The reporting structure for ACAT ID and ACAT IAM acquisition programs is shown below: (Source IDAM)

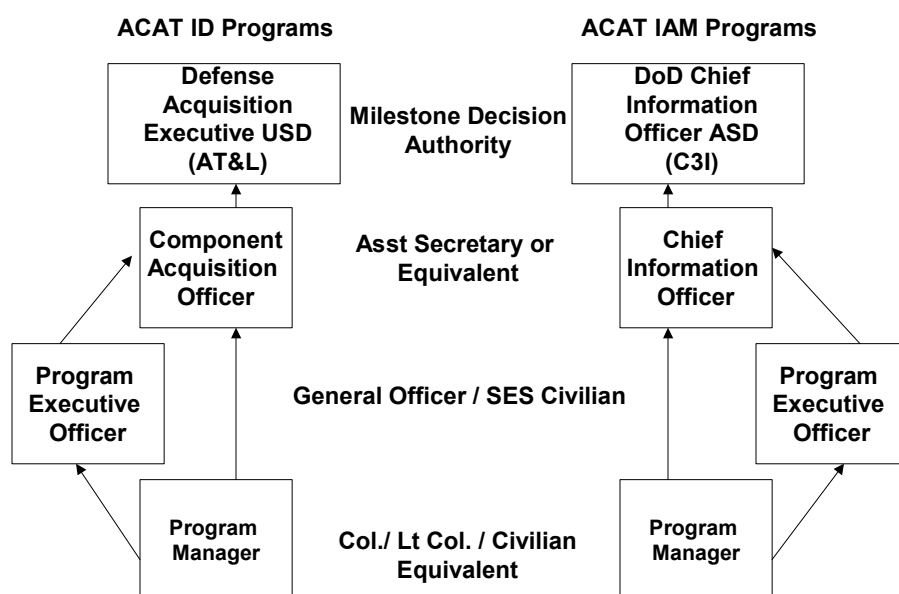


Figure 4-1 US DoD Acquisition Authority Chain (From Ref. 20)

1. Program Manager

Program Manager is broadly used in the Defense Acquisition system, and it assumes different meanings depending on the branch of service. It can be Program Manager, Product Manager or Project Manager, but the role it takes is similar in all the activities surrounding the acquisition process.

To be effective, the PM should be knowledgeable about all project activities, including their complex interrelationships. The following roles and functions will generally describe how program managers work in the system: (Source Introduction to Defense Acquisition Management 2001)

- a. A leader and a manager, not primarily a task “doer;”
- b. Understands the requirements, environmental factors, organizations, activities, constraints, risks, and motivations impacting the program;
- c. Knows and is capable of working within the established framework, managerial systems, and processes that provide funding and other decisions for the program to proceed;
- d. Comprehends and puts to use the basic skills of management - planning, organizing, staffing, leading, and controlling — so people and systems harmonize to produce the desired results;
- e. Coordinates the work of Defense industry contractors, consultants, in-house engineers and logisticians, contracting officers, and others, whether assigned directly to the program office or supporting it through some form of integrated product team or matrix support arrangement;
- f. Builds support for the program and monitors reactions and perceptions, which help or impede progress;
- g. Serves both the military needs of the user in the field and the priority and funding constraints imposed by managers in the Pentagon and military service/Defense agency headquarters.

The figure below describes a broader perspective of how the PM works with the different stakeholders involved in the acquisition process.

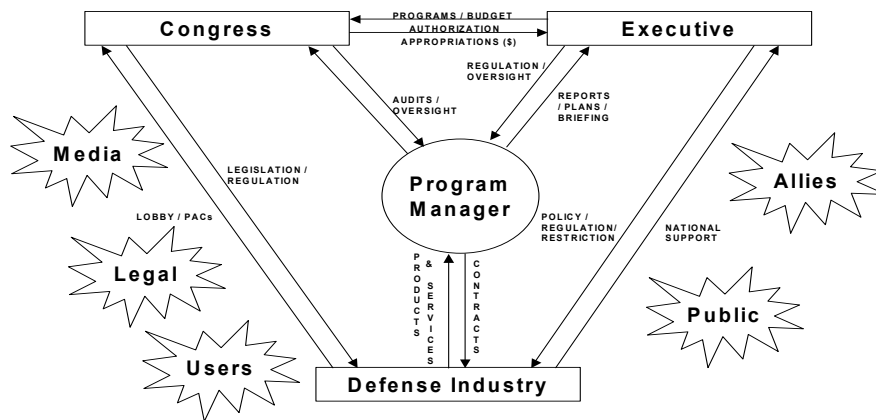


Figure 4-2 Program Manager's Environment (From Ref. 20)

2. Integrated Product Teams

Integrated Product Teams involve representatives from all appropriate functional disciplines, both in Government and the system/subsystem contractors who support the Program or Program Manager. These are key personnel who work together with a Team Leader. They exist to build successful and balanced programs, identify and resolve issues, and make sound and timely decisions. Members of an IPT are not limited to one area in the project alone. They could be assigned to several IPTs in the program. An IPT may be an overarching IPT (OIPT), a working IPT (WIPT) or integrated IPT (IIPT)

IPTs make team decisions based on inputs from the entire team in the areas of program management, engineering, manufacturing, test, logistics, financial management, procurement, and contract administration, including customers and suppliers. A typical IPT composition at the program level may include the following functional disciplines: design engineering, manufacturing, systems engineering, test and evaluation, subcontracting, safety and HAZMAT, quality assurance, training, finance, reliability, maintainability, and supportability, procurement, and contract administration for suppliers and customers.

3. Characteristics of an IPT

The two most important characteristics of a successful IPT are the following:

a. Cooperation

An IPT must maintain an atmosphere where discussions are laid open without secrets. All facts need to be on the table for each team member to understand and assess. Each member possesses a unique expertise apart from the other, so all views have to be considered and heard, but not necessarily acted upon. Several differences might crop up in the course of their discussions, however, these disagreements must be reasoned based on an action rather than unyielding opposition. Issues have to be resolved early so that resolutions can be achieved at the earliest possible time and at the appropriate level.

b. Empowerment

Empowerment is critical. The functional representatives assigned to the IPT at all levels must be empowered by their leadership to give good advice and counsel to the Program Manager. They must be able to speak for their superiors, the principals, in the decision-making process. IPT members cannot be expected to have the breadth of knowledge and experience of their leadership in all cases. However, they are expected to be in frequent communication with their leadership, and thus ensure that their advice to the Program Manager is sound and will not be overturned later, barring unforeseen circumstances or new information. One of the key responsibilities of program leaders is to train and educate their people so they will have the knowledge and skills to represent their organizations' leaders. IPT members are extensions of their organizations and leadership; they must be able to speak for those organizations and leaders.

c. Responsibilities

- May operate as an entity or be organized into sub-IPTs or Product Teams to develop, procure, and deliver products or services for users or customers.
- Manages each program's Acquisition Program Baseline and predicts and reports potential breaches to management.
- Develops and obtains team member endorsement of the Acquisition Strategy Paper.
- Develops and obtains team member endorsement of the Integrated Program Plan.
- Assists in developing the Requirements Document.

- Develops cost and schedule baselines for candidate solutions during Investment Analysis.
- Acquires new or improved capability for services and products throughout their lifecycle.
- Obtains and coordinates input from subject matter experts in critical functional disciplines.

These disciplines vary, depending on the type of program, but typically include: requirement management; test and evaluation; deployment planning; logistics support; procurement planning; real property; acquisition, management, and disposal; configuration management; human factors; environmental, occupational safety and health, and energy considerations; information technology; systems engineering; security; system safety management; spectrum management; risk management; regulation and certification; telecommunications. The IPT is responsible for ensuring that all relevant disciplines have been contacted, whether or not they appear in the above list.

4. Overarching Integrated Product Team (OIPT)

Because of the benefits realized from working as integrated teams, IPTs have extended to management levels above the program manager. These teams are known as overarching IPTs (OIPTs) and provide expertise to help program managers build balanced programs, resolve issues early in the process, and more efficiently prepare for program milestone reviews. In this oversight and review process, OIPTs are structured differently from the cross-functional, horizontally integrated teams used by program managers. OIPTs are vertically integrated with membership drawn from senior level representatives for various staff and line levels.

The Milestone Decision Authority (MDA) establishes the OIPT and designates a chairperson. The MDA identifies the OIPT secretary/facilitator and appoints the OIPT membership. Membership is tailored to the needs and level of oversight required for the program.

a. Responsibilities

- Meet regularly with the PM to raise and resolve program and project management issues.
- Provide recommendations for tailoring and streamlining the program.

- Vertically link with the PMs working level IPT.
- Help the PM successfully achieve a milestone decision.
- Develop a memorandum documenting the issues and risks to be raised to the MDA.
- Recommend to the MDA when an IPR (Interim Program Review) needs to be convened.
- Provide an independent assessment for the MDA in preparation for the MDR.

5. Working Level Integrated Teams

These are teams formed at the Pentagon-level military department headquarters. They meet as required to help the program manager plan program structure and documentation, and resolve issues. The leader of each WIPT is usually the Program Manager or the PM's representative. WIPTs adhere to three basic tenets:

- The Program manager is in charge of the program
- WIPTs are advisory bodies to the PM
- Direct communication between the program office and all levels in the acquisition

oversight and review process is expected to exchange information and build trust.

D. ACQUISITION MANAGEMENT SYSTEM

The DoD Acquisition Management System is governed by three key documents, which serve as guides to the defense acquisition business. The first is DoD Directive 5000.1, the Defense Acquisition System, which provides broad policy and principles for all acquisition programs. It also identifies the key officials and panels for managing the system. DoD Directive 5000.2, Operation of the Defense Acquisition System, establishes the framework for translating mission needs into stable, affordable, and well-managed acquisition programs. The other regulation is DoDR 5000.2, Mandatory Procedure for Major Defense Acquisition Programs (MDAPS) and Major Automated Information System Acquisition Programs (MAIS). 5000.2-R provides detailed policies and procedures to guide development and production in major DoD programs.

These three documents have recently been cancelled and replaced by an interim guidance issued by the Deputy Secretary of Defense (DUSD), Paul Wolfowitz, on October 30, 2002. The interim guideline is to rapidly deliver affordable, sustainable capability that meets the war fighter's needs by creating an acquisition policy environment that fosters efficiency, flexibility, creativity and innovation. Essentially, the interim guidelines establish a simplified and flexible approach for managing acquisition programs and provide a simplified and flexible management framework for translating mission needs.

The four phases in the current US DoD Acquisition System are: (1) Concept and Technology Development; (2) System Development and Demonstration; (3) Production and Deployment; and (4) Operations and Support. As the program advances through these phases, it must pass Milestone Decision Points (Milestone A to C). At every milestone, the Milestone Decision Authority (MDA) will determine whether the system is programmatically and technologically ready for the next phase. For Major Defense Acquisitions, the Defense Acquisition Board (DAB) is the MDA.

One primary difference between the current and previous systems is that the program can enter acquisition at any decision point or phase, provided that the stated entrance criteria are satisfied. Another is that the emphasis is now on evolutionary developments where the major consideration is the maturity of the technology so that the system can be delivered to the war fighters as fast as possible. The system is then further developed in blocks as technology matures. Figure 3-10 shows the Defense Acquisition Management Framework for Major Programs.

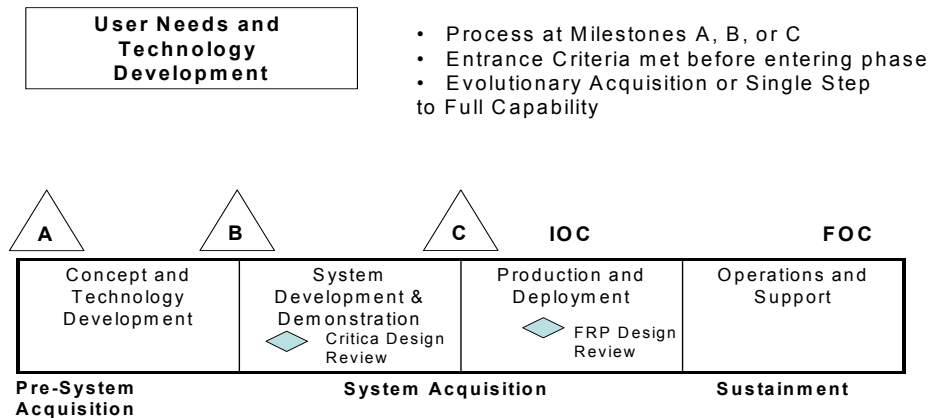


Figure 4-3 US DoD Acquisition Management Framework
From Operation of the Defense Acquisition System (From Ref. 12)

E. SUMMARY

This chapter describes US Acquisition Management and the key players' chain of authority, particularly the Program Managers and IPTs. It also presented the roles, characteristics and responsibilities of the PMs and the different IPTs involved in the acquisition process, and the extent of their authority.

The following chapter will compare and contrast the PMs and PMTs of the Philippines Armed Forces with the US Armed Forces' PMs and IPTs, to analyze and present a framework that would best fit the AFP Acquisition Process.

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V. DISCUSSION AND COMPARATIVE ANALYSIS

A. INTRODUCTION

In the AFP acquisition process, service designated PMs and PMTs formulate the Circular of Requirements needed for a weapon system during operational utilization. Nowhere is cost and schedule part of PM and PMT planning. Cost of a potential program is pre-determined by higher management planners without specialized knowledge of service requirements and system operational use. Schedule basically depends on whether or not the system will be approved for acquisition. Approval for acquisition only comes after a long and sequential acquisition process paved with political, economic, and leadership obstacles in decision-making. As for performance, PM and PMT may be able to formulate the required document - Circular of Requirements and Bid Evaluation Plan - for the service required weapon system, however, performance criteria will always be made at minimum levels: formulating minimal requirements is inevitable because PM and PMT lack knowledge about present day technologies and costs for such technologies.

In the AFP, PM and PMT have no real contacts, informative or negotiative, with potential contractors and their products. Contracts are established or negotiated at either the Department or Higher Headquarters level. This predicament, which comprises leverage with the defense industries, will have a high-risk impact in the acquisition process, possibly increasing the acquisition time of a system. In the Philippine Budget and Fiscal policies, authorization funding has a limited lifespan to promote optimal use of the scarce and limited financial resources available. There were past incidents where funds were not used for a given program due to delays in the acquisition process, and the funds reverted back to government coffers. Delays in the acquisition process are often caused by delays in decision-making and in the documentation and sequential processing of transactions by various functional agencies. The agencies frequently fail to appreciate the ultimate impact these transactions have on the service requiring the system in particular, and AFP in general. The foregone funds reflect an alarming culture of inefficiency, a lack of acquisition experience, and even mismanagement. Overall, such experience proves costly in terms of opportunity cost.

The culture of inefficiency refers to the AFP leadership's complacency in making improvements in its processes, such as the acquisition process. Processes in place in the past have grown to be accepted as the norm, though there are strong justifications for overhauling the process. A classic example is that the approving authority for financial transactions remains at the price level that applied to transactions in the 1970s. As a result, contracts are "split" to accommodate purchases exceeding the approval authority. As a consequence, regular audits paint a negative image of Commands that venture into such contracts.

The lack of acquisition experience refers to the AFP's lack of exposure to major systems acquisitions. In the past, the AFP depended on the US for its operational requirements through Foreign Military Sales. The AFP received military hardware from the US and optimized what was on hand to address its mission. Little did the AFP realize at that time, that the organization needs a pool of manpower that are adept in both major and minor acquisition programs.

Mismanagement in the AFP acquisition process refers to an inadequate organizational strategy to determine and guide its structure and capability. Requirements identified by services, and even by the AFP, depend heavily on the current leadership – what the leader desires is what everyone wants. Unfortunately, leadership tenure in the AFP is measured in months and not years. Mismanagement in acquiring organizational requirements is still very evident in the present Modernization Acquisition Process – evident in the long, sequential, time consuming and position (egotistic) driven process, which is centralized in Higher Headquarters. While the process may be interpreted as providing checks and balances by Central Authority over the major service's programs, in essence the process paints a picture of mistrust, and competition among the major services, with GHQ jumping into the fray for control and a bigger modernization budget, and a lack of accountability on the part of the service acquiring the system.

Under these uncertain organizational structures and functions, and inadequate standards in the modernization program's acquisition process, Program Managers and Project Management Teams must play a critical role in expeditiously facilitating systems acquisition. With the PM and PMT background in formulating the COR and BEP, the PM and PMT's roles, functions, and organizational position in the overall process could become the central focus for decision making from requirement generation through contract negotiation, implementing an approved contract, test and evaluation, deployment, sustaining employment, and ultimately to disposal.

B. COMPARISON PM AND PMT ROLE THE ACQUISITION PROCESS

(Armed Forces Of The Philippines And The United States Department Of Defense)

1. Similarities in the Role of the Program Managers

Program Managers in the US DoD represent a single leader that exercises centralized authority and responsibility for planning, organizing, staffing, controlling, and leading the combined efforts of participating civilian and military personnel and organizations, to manage a specific Defense acquisition program or programs, through development, production, deployment, operations, support, and disposal.

On the other hand, Program Managers in the AFP represent a field grade officer designated by his respective branch of service to head a team of designated officers, from various disciplines or functional specialties, and formulate a Circular of Requirement and Bid Evaluation Plan for weapons systems being considered as part of the AFP Modernization Program. Hence, the only common aspect of Program Managers in both organizations is their planning task; and planning is limited for the AFP PM – develop a list of minimum criteria and sub-systems, required by the organization from a weapon system, either available in the market or being conceptualized for future production, subject to demand – and in production. In the AFP’s case, production means the actual acquisition and transfer of ownership- from contractors to the AFP, of a weapon system.

2. Differences in the Role of the Program Managers

Since the only common aspect of Program Managers across the AFP and the US DoD is planning, though limited for the AFP, and production, also limited to actual acquisition (an equivalent of procurement), there is a huge difference in the role of PM in both organizations.

In the US DoD, Program Managers are the central figures in the acquisition process. They exercise centralized authority and responsibility for their particular program. In consonance with such authority, they are responsible for planning, organizing, staffing, controlling, and leading the combined efforts of all cognizant sectors for managing a specific Defense acquisition program or programs. In order to accomplish this, the PM manages the development, production, deployment, operations, support, and even the disposal of that given system.

On the other hand, Program Managers in the AFP Acquisition Process are typically staff officers tasked to draft a plan – the COR and BEP. Their role in the acquisition process ends when they have generated the COR and BEP, which the Major Service approves and endorses to Higher Authorities. After the COR and BEP have been made an effective basis for the acquisition of the needed system and there is appropriate approval for purchasing the system, the Program Manager’s role is again resurrected to help implement the acquisition contract. At this stage, the Program Manager may have no grasp as to what the COR and BEP of the system went through – have there been any changes in the requirement, what are the costs for such changes – operationally, logistically and financially. The PM doesn’t know which contractors participated in the bidding process, who won the contract, and who are the contact persons, among other questions. Here lies one of the dilemmas of the Program Manager in the AFP.

3. Similarities in the Role of the IPTs and PMTs

In the US DoD setting, an Integrated Product Team (IPT) consists of key personnel from a variety of functional areas who support the Program or Project Manager (PM) of a System investment. The IPT draws upon the necessary functional activities for specific expertise to accomplish its goals. IPT Membership typically includes, but is not limited to, milestone In-Process Review (IPR) members and the internal support that provides vital functional or technical expertise to make a program successful (e.g., project leaders, logisticians, contract procurement representative, business manager, and human resources representatives). Core personnel may also act as Integrated Product Team Leaders for their assigned products.

IPT members receive programmatic direction from the PM leader and supervision from their functional manager. The IPT member responds to day-to-day direction from the IPT leader in contributing to work objectives. Meanwhile, the IPT member is obligated to remain in contact with his or her functional manager to stay current with functional policies, directives and lessons learned.

PMs are expected to delegate limited program/product decision authority to the IPTs in consonance with PM direction and guidance, and allow them to manage their assigned products or program. While team members are empowered to achieve their goals, the PM is ultimately responsible for the program and product quality. Team members are the PM’s advisors. It is their responsibility to show that their solutions represent best value.

In the AFP, Major Service PMT are composed mostly of field grade and company grade officers who, to some degree of knowledge and specialization, are credible in formulating operational criteria requirements for a needed system. Major Service PMTs also include staff members from functional divisions to assist in formulating the BEP. At the higher headquarters level, another PMT, organized by the AFPMO, also includes various field grade officers and technical personnel, such as lawyers and accountants. Unlike its counterpart at the Major Services, the latter is tasked to consolidate the COR and BEP of all Major Services and evaluate the submitted documents to look into the general bidding, financial and negotiation requirements to make these documents a basis for system acquisition. The former have operational and limited functional expertise while the latter have more functional expertise.

Both PMT for AFP and IPT for US DoD have recognized and adopted the Integrated Product and Process Development (IPPD) management framework, which focuses on Cooperation and Empowerment. IPPD is a management technique that simultaneously integrates all essential acquisition activities through multidisciplinary teams to optimize the design, manufacturing and supportability processes. IPPD facilitates meeting cost and performance objectives from product concept through production, including field support. One of the key IPPD tenets (all of which are described in attachment 2) is multidisciplinary teamwork through Integrated Product Teams (IPTs). These teams help make the right decisions at the right time. Unfortunately for the AFP, empowerment under this management technique is just a concept, because AFP leadership culture, most often, overturns the PMT decisions.

4. Differences in the Role of the IPTs and PMTs

Just as there are similarities between IPT and PMT, there are also differences. For one, US DoD IPT in consultation with system end-users, has been empowered to make decisions that are, most often, respected as binding in the overall program. Decisions by an AFP PMT are considered as recommendations or advisory in nature. US DoD IPT membership may be a collateral duty, however, membership tends to be relatively permanent to assure program continuity. In the AFP, membership to PMT is also a collateral duty, but more temporary in nature. Upon completing the COR and BEP, the PMT is generally dissolved because they have completed their PMT task. During the acquisition process, US DoD IPTs closely monitor the system acquisition process from “womb to tomb”. PMT, on the other hand, monitors the system

during planning and actual acquisition, only through contract implementation, and does not monitor its actual deployment, sustainment in operation or disposal.

5. Organizational Position of PM and PMT in Acquisition Process Structure of the Armed Forces of the Philippines

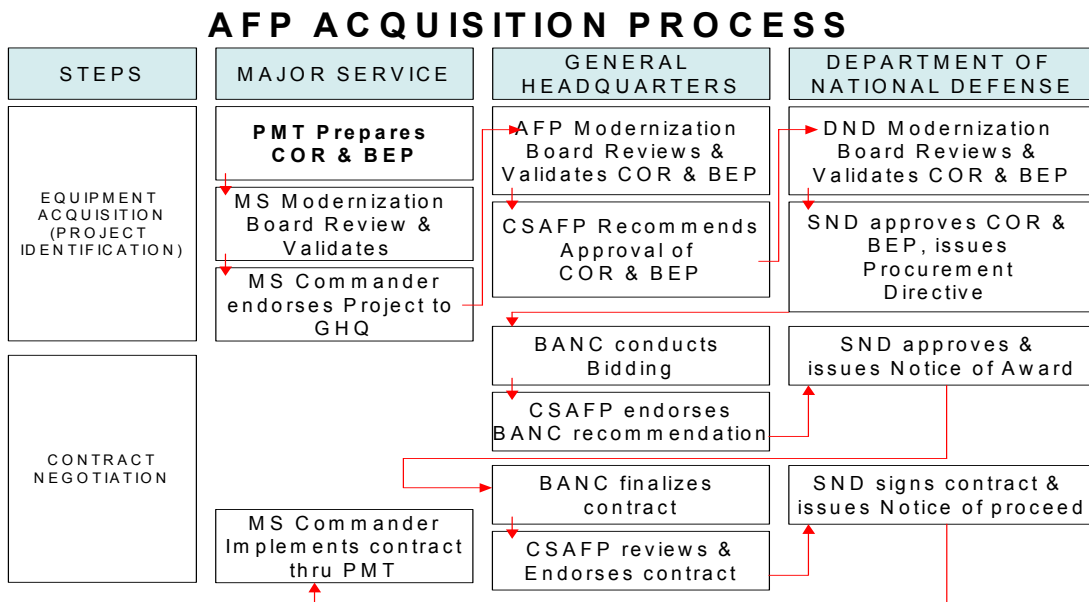


Figure 5-1 AFP Acquisition Process (From Ref. 12)

As shown in the above diagram, Program Managers and Program Management Teams have very limited roles, functions and responsibilities in system acquisition under the AFP Modernization Program. Their role is at the extreme of the spectrum in the acquisition process.

6. Program Structure of the United States Department of Defense

Looking at the US DoD structure indicates that the US DoD has acknowledged the importance of the PM and IPT in the acquisition process. The institution not only acknowledges the structure, but implements it in all of its programs, as established in DoD policy.

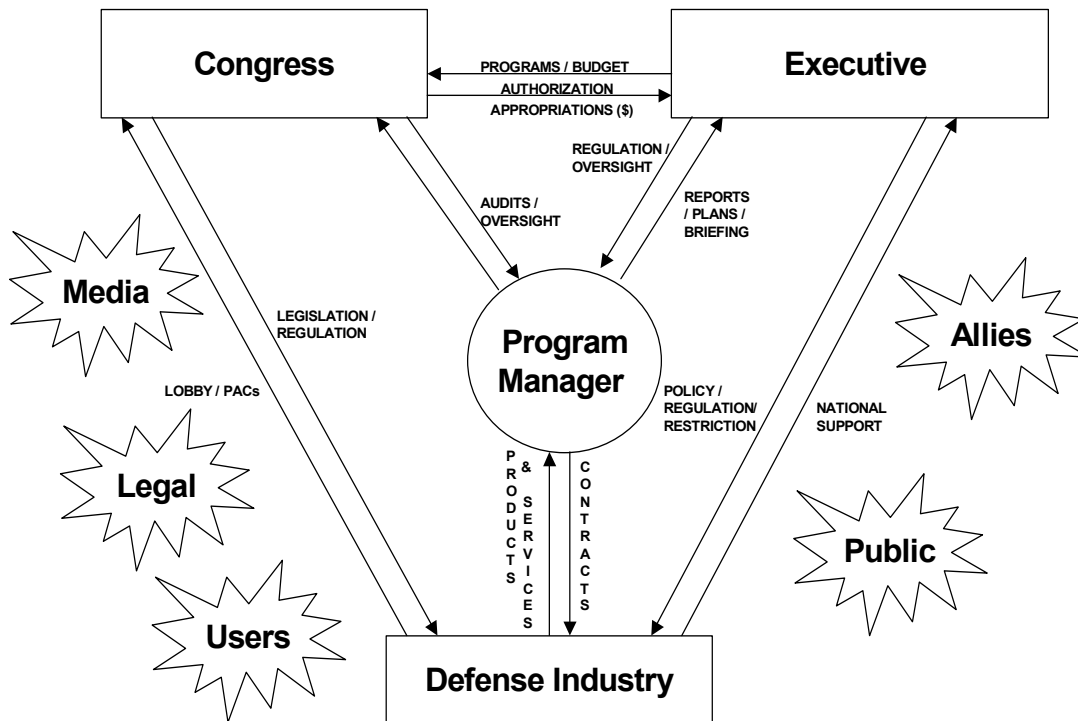


Figure 5-2 US Program Manager's Environment (From Ref. 20)

C. SUMMARY

From this chapter, it can be emphasized that the role of PM and PMT in the system acquisition process is important for the overall organization. In the US DoD model, the PM and IPT are the hub from which all efforts – planning, coordination, production, etc., emanate. PMs are the central figures that unite all stakeholders involved in systems acquisition.

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VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

The Armed Forces of the Philippines is currently reforming its acquisition process and, as such, it is not yet considered mature. It is still in its infancy. Changes have to be made and the office in charge of acquisition is looking for ways to incorporate modern management techniques into the process. Studies made by NPS students have contributed considerably to its improvement and as an encouragement to this effort, our thesis will continue to impact change, especially in the area of managing acquired weapon system. PMs and PMTs will facilitate the early deployment of an acquired weapon system if the US DoD acquisition management system is used as benchmark in formulating a framework that is best fitted to the AFP acquisition.

This chapter presents the findings and recommendations of our research. The study has provided information and understanding of the AFP Modernization Program and the associated laws, rules and regulations. Chapter III reviewed the role, function and importance of Program Managers and Program Management Teams in the acquisition systems of the Armed Forces of the Philippines. Chapter IV compared the AFP and US Department of Defense Acquisition structures. The analytical comparison of both structures pertaining to PM and PMT was made in Chapter V.

Chapter V presented the role, function and importance of PM and PMT in the acquisition process for the AFPMP in order to effectively manage the weapon system acquisition and to establish an integrated, logical, systematic and time efficient approach to address the defense needs or requirement. With the consolidation of the knowledge achieved from the research, this study is now presenting its conclusions and recommendations.

After careful and thorough comparison and evaluation, this thesis will present alternatives to ensure an effective and efficient project management by modifying the current role and function of AFP PMs and PMTs in the acquisition process.

B. CONCLUSIONS

The success of any system requirement acquisition depends on the person or group of people that manage the program from requirement conception to acquisition processes and system deployment to the termination of system utilization within the organization. By

establishing a core of qualified and accountable personnel, working within the boundaries of the organization's strategic and tactical needs, any project is guaranteed supervision. Currently, however, the PM and PMT structure, role and function under the AFPMP lacks authority to supervise any project in all phases of the acquisition process or project life cycle.

Based on the data and information presented, analyzed and interpreted in the preceding chapters, following are the conclusions of the study:

1. The AFP has a limited understanding of the importance of the PM and PMT in any system acquisition endeavor. It has a constrained regulation that deals with the role and function of PM and PMT in any or all types of projects.

2. The AFP acquisition planning is done in a fragmented and personality-driven manner. The elements of an acquisition plan are prepared by the PMTs but not as parts of an overall plan which establishes a logical and systematic approach to addressing an AFP requirement. Contract administration, for example, is not being addressed in the planning documents and this is a subject of two previous theses by Filipino officers at the Naval Postgraduate School, Monterey, CA.

3. There is a lack of educated, trained and qualified personnel for designation as either Program Managers or members of Project Management Teams. Presently, there are only three graduates of acquisition and contracting and no graduates of system acquisition management in the AFP. Training of project team members may be a continuing activity in the AFP to specifically address the need. However, most often, such training is done through classroom type seminars and lectures and no efforts are being made for these students to apply what they learn. Eventually, most of the graduates of these short courses are not designated to membership of any PMT in the various service PMTs.

4. There is no dedicated defense acquisition organization that is responsible for defense acquisitions. The SND is most often the milestone decision authority and this impedes efficiency. Having a DND acquisition organization would provide a structure that would lead to the establishment and better management of the acquisition systems and processes in relation to the AFP and service pursuit of projects under the AFPMP.

5. There is still no established education and training program within the Philippine defense establishment that addresses the skill requirements necessary for acquisition personnel to successfully pursue weapon systems acquisitions in the AFP. Thus, planning remains fragmented, and acquisition and development plans constantly change depending on what the incumbent leaders' desire. System acquisition or development plans are sporadically prepared.

6. PMT membership is designed to be a primary duty. However, in actuality, it is handled as a collateral duty. This affects the preparation and development of the CORs, BEPs, and other attendant plans for identified projects. Most often, documents are not conclusive to an appropriate degree of finality, because they are not a product of a cohesive group – a group that feels they are part of something important, a group that feels that they can make a difference, a group that can be considered a real team.

C. RECOMMENDATIONS

In view of the above, the following recommendations are provided:

1. Revise the current IGRR to establish Program Managers and Project Management Team roles and functions in the overall acquisition process, including conducting acquisition planning and preparing acquisition plans, as a requirement for all defense acquisition programs. With an established and formalized policy and procedures, PM and PMT would be more effective in addressing and managing the systems to be acquired under the AFPMP.

2. Institute formalized and structured education and training programs in the AFP to address the skill requirements for AFP weapon system acquisitions. With the acquisition process still evolving, personnel projected for positions as Program Managers and members of PMT should be assigned to minor projects, projects not necessarily defense-related per se, for exposure and confidence building.

3. The DND should establish a defense acquisition organization responsible for all acquisitions of the defense department, not only for the AFP Modernization Program.

4. Properly implement and manage the Program Managers and Project Management Teams. Program Managers and Team members are supposed to be on detached service to the major service modernization office, and assume major responsibility. With established and formalized policies and procedures, they should perform their primary job as PM and PMT

members and not perform other collateral duties. Major Service commands must ensure compliance to policy and procedures with regard to duties as PM and PMT members.

5. Through changes in policy and procedures and strict implementation of the same, expand the role and function of Program Managers and Project Management Teams in the overall acquisition process. Implement the US Project Management Model in the AFP acquisition process by critically acknowledging the PM and PMT role is important in the life of any weapon system to be acquired under the AFPMP. Figure 6-1, which reproduces figure 5-2, is a modified U.S. DoD Acquisition Model suited to the AFP Acquisition Process relative to PM and PMT.

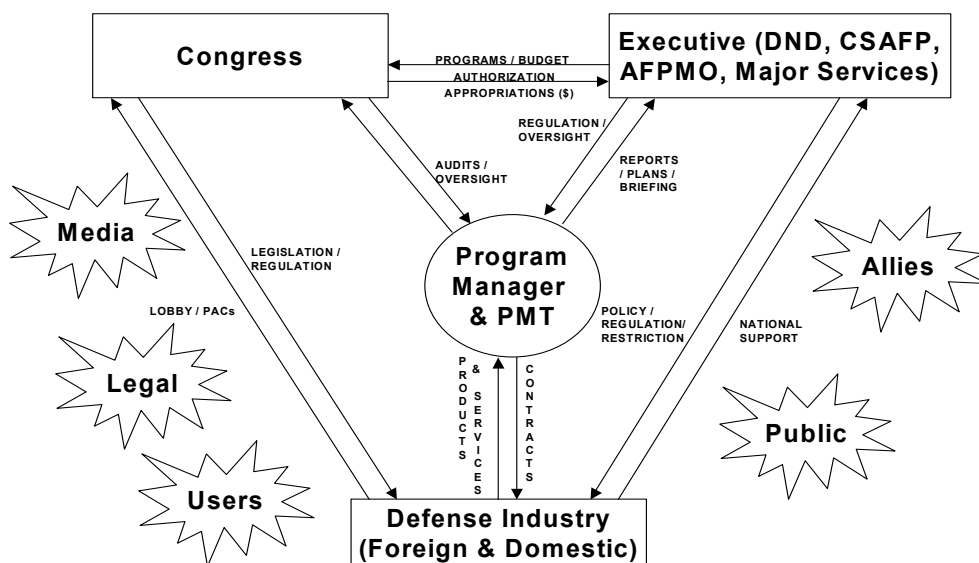


Figure 6-1 AFP Program Manager's Environment (After Ref. 12)

In the above model, the PM and PMT roles and functions are emphasized at all levels of the acquisition process. This is illustrated in Figures 6-2 and 6-3.

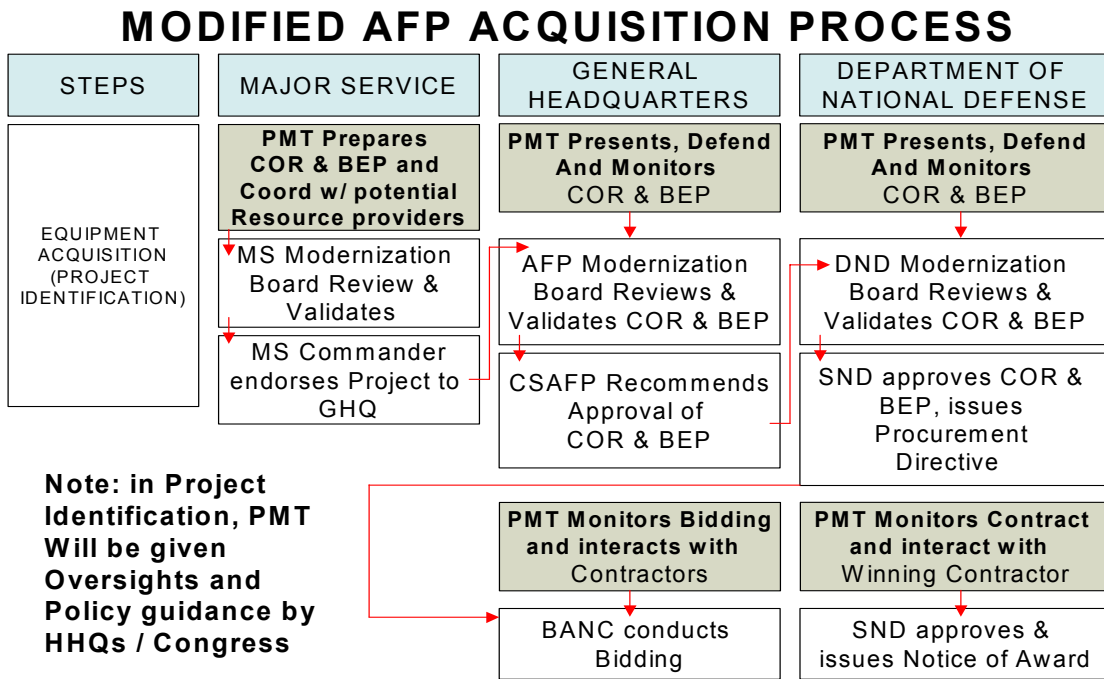


Figure 6-2 Modified AFP Acquisition Process (After Ref. 12)

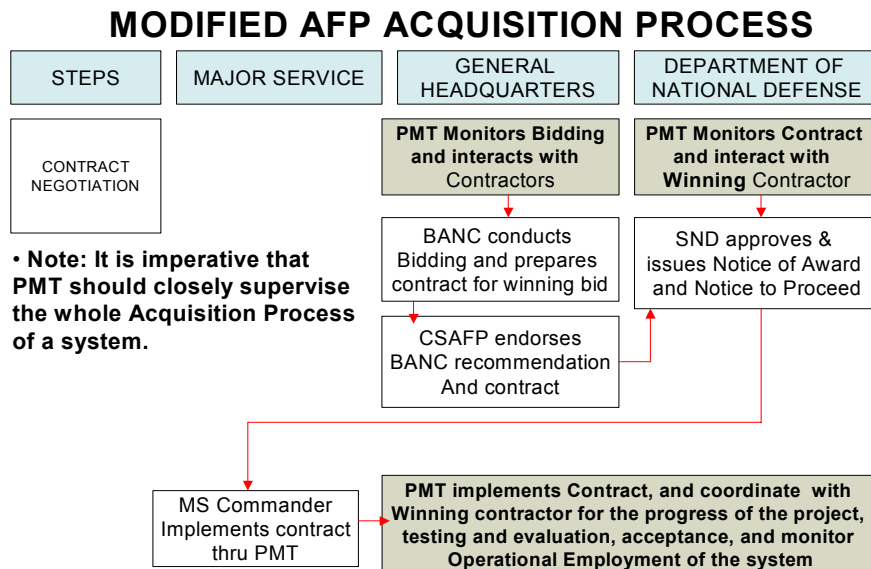


Figure 6-3 Modified AFP Acquisition Process (After Ref. 12)

D. SUMMARY AND REVIEW OF RESEARCH QUESTIONS

1. Primary Research Question

Can the organization and management of Program Managers and Program Management Teams in the AFP modernization program acquisition process be improved using the US DoD acquisition model as a frame of reference?

Any organizational structure or management process, as a general rule for survival and effectiveness, should be open to change. The AFP organization as a whole, including its various sub-organizations, and the current management systems or processes, is not exempt from the need to improve. The AFP should re-engineer its organization and processes to ensure optimal utilization and results at minimum cost. Minimizing total ownership cost is particularly critical considering that the Philippine Government has limited funding to address the AFP requirement to modernize its forces and capability.

Knowing that the AFP is new to major defense system acquisitions and system acquisition organizations, and with a limited pool of personnel experienced with the new structure and processes, the AFP should consider other structures and processes to learn from and adopt. The successful and time-tested US DoD acquisition structure and processes have always been respectfully regarded by the AFP as credible and highly informative benchmarks.

Using the US DoD acquisition organization and system as a frame of reference for improvement provides the AFP several advantages:

1. The Philippine Government, the Defense Institution, and the AFP organization structure and functions are similar to the US. However, the US Defense structure and processes have evolved over time, depending on US strategic policies – both defense-related and reflecting the global environment; the AFP organization and processes have remained relatively unchanged.

2. The US weapon systems acquisition process has always been considered by the world in general, and the Philippines in particular, as the standard to which other countries compare themselves.

3. Defense cooperation between the US and the Philippines - sharing of information, organizational structures, policies, procedures, and even systems - could facilitate expeditious changes or adjustments in the AFP organization's framework and processes.

4. The majority of weapon systems being acquired by the AFP, and even those that exist in its inventory, are supplied by US Defense providers. Hence, compatibility in structure and processes would ensure resource providers an effective system.

Because the AFP recognizes the need to improve itself, it is reasonable that the AFP look to the US Acquisition Model as a possibility for adoption. This would, of course, include adopting the US Project Management Model, which highlights the importance of PM, and PMT to the success of any given major and minor defense programs and projects.

2. First Subsidiary Question

Is the current acquisition process of the Armed Forces of the Philippines customer (defense requirement providers) friendly and responsive?

No. The lengthy and sequential acquisition process, aggravated by an acquisition Program that is personality driven and a structured vertical hierarchy for decision-making, does not promote or encourage defense resource providers to invest in the program. In its present structure, decision-makers may have the privilege of interacting with the defense resource providers, however, the people in the organization who have technical and operational knowledge of the requirement have limited interactions with their counterparts in the industry. The structure poses a problem in the long run, where constant changes in the requirement are possible. Changes in requirements will not only hamper the project, but will involve financial losses to the government in general and operational opportunity costs to the organization.

3. Second Subsidiary Question

Is there a need to reengineer the acquisition process to expand the area of responsibility of the program managers and program management teams of the Armed Forces of the Philippines?

Yes. In the US, the Program Managers are the individuals responsible for the development and delivery schedules, and ensuring weapon systems perform as required. The PMs are responsible for program costs, schedule, technical performance, and supportability. They are also responsible for developing an acquisition strategy, planning the program by developing a management approach, providing budgetary estimates and alternatives, developing contract strategies, and conducting day-to-day program management.

Under the current system, the AFP's PMs and PMTs meet none of the above roles. The acquisition division of the AFP is J-9 and performs contract-processing functions. There is no

way for a PM or PMTs to monitor the life cycle of a weapon system. One reason for this could be the organizational framework and the lack of trained and efficient acquisition personnel. Another would be the lack of budget for developing acquired systems, in which case, acquisition becomes merely procuring over-the-counter items. It is apparent that life cycle management is not viewed as important, and therefore not practiced in the AFP. As a result, some units do not have the equipment needed to accomplish their missions. Instead, they have equipment that is more suitable for a museum or is low enough in quality that it endangers and costs soldiers lives.

Like the armed forces of any developing country, the AFP must compete against other government agencies for scarce resources. The country's current economic conditions constrain the AFP budget, which must be faced by using innovative solutions that are within the legal framework. Defense spending has become a low priority among the political leadership. In 1995, when the Modernization office was created, it was supposed to have received 50 billion pesos for its first five-year modernization plan. But, as expected, the office received only a minimal 5 billion and has not been provided additional funding since the last release in 2000. The AFP's precarious financial situation has forced the high command to limit military acquisitions to the minimum. Lack of equipment renewal negatively affects national security because the AFP has limited training and usage to prolong and avoid excessive wear and tear of the existing equipment. The approach taken by the AFP's high command is not totally congruent with their responsibility to provide the units with the means to accomplish their missions. The answer to this problem is not to minimize equipment acquisition or maintain legacy equipment, but rather improve the process to clearly maximize cost effective modernization and prioritize system acquisition to maximize the effectiveness of the AFP.

The DND, on the other hand, must have a mechanism that ensures optimal resource usage, and limits fraud, waste, and abuse in acquisition funding. In the current system, limited monitoring and control over the process invites graft and corruption. The acquisition process must facilitate monitoring and control during all phases of the life cycle. This existing linear management technique lacks feedback, thus the high command does not know if a newly acquired system is delivered, used, maintained, or functioning properly for its intended purpose. If the AFP continues to follow the current acquisition system, it will fail to provide adequate equipment for its units.

4. Third Subsidiary Question

Are the program managers and program management teams effective and efficient in the current acquisition process of the Armed Forces of the Philippines?

The current acquisition process makes the PMs and PMTs in the AFP neither effective nor efficient, given the new environment of the AFP Modernization office. The SND and GHQ is very centralized and has become increasingly influential. This trend will continue as the acquisition process matures. The acquisition process was designed to establish PMs and PMTs procurement officers, and their roles do not include participating in the entire life cycle of the system.

5. Fourth Subsidiary Question

Are the strengths and weaknesses of the program managers and program management teams in both countries determinable and comparable?

Yes, as discussed in the preceding chapter, strengths and weaknesses of the role and functions of program managers and project management team for the US and AFP model may be determined and compared.

For the US, the PM and IPT are the central core of any system or project acquisition process. All activities relevant to the project are managed by the PM and PMT through the IPPD process. However, in the case of the AFP, the PM and PMT roles and functions are restricted to system requirement generation, in the first phase of the program, and to implementing the project acquisition in its final phase.

For the US model, the PM and IPT have decision making authority. This is unlike the AFP model, where the PM and PMT are limited to a recommendatory role. This decision-making authority depends on the organizational structure of the defense establishment. The US has a flat structure for its acquisition process while the AFP has a highly centralized and vertical hierarchy.

6. Fifth Subsidiary Question

What would be the advantages and disadvantages of applying the US acquisition model to the Armed Forces of the Philippines?

Advantages:

1. Using the U.S. PM and PMT to ensure technically and operationally credible organizational system requirements reduces if not eliminates design changes in the latter part of the acquisition process.

2. The U.S. guaranteed model supervision, under the cloak of accountability, and close management of a project in all phases of the acquisition process.

3. The structure guarantees that the project or system being acquired is based on established strategic plan, executed by acquisition professionals throughout the life cycle.

4. Because projects are, in principle, approved based on oversight and strategic guidance from concerned departments and agencies, civilian and defense organization, projects through supervision and monitoring of PM and PMT expeditiously go through the acquisition process.

Disadvantages:

1. Overhauling the organizational structure and processes, and patterning it after the US model, will entail cost, both monetary and in terms of the time already invested in the current structure.

2. Complexity of the US Acquisition model, being a new process for the AFP, might result in management problems in personnel and structure. As it is, the AFP lacks qualified personnel to adopt and implement the US system. The US model relies on a flat acquisition system with approving authority is vested with a lower lever authority – e.g., US Department of the Navy, an equivalent of the Branch of Service for the AFP. Meanwhile, the AFP has a highly centralized acquisition structure, with decision authority resting at the AFB command level.

APPENDIX - DEFINITIONS, ABBREVIATIONS, AND ACRONYMS

For purposes of clarity and better understanding, the terms below are offered with their corresponding definitions or meaning:

Acquisition - includes design, engineering, test and evaluation, production, and operations and support of Defense systems. As used herein, the term “Defense acquisition” generally applies only to weapons and information technology systems, processes, procedures and end products.

Acquisition Plan - a formal written document reflecting the specific actions necessary to execute the approach established in the approved acquisition strategy and guide contractual implementation.

Acquisition Executive - the individual within the Department and Services charged with overall acquisition management responsibilities within his or her respective organization.

Acquisition Planning - the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. It is performed throughout the life cycle and includes developing an overall acquisition strategy for managing the acquisition and a written acquisition plan.

Acquisition Programs - are directed and funded efforts designed to provide a new, improved, or continuing materiel, weapon or information system capability or service in response to a validated operational or business need.

AFP – Armed Forces of the Philippines

AFP Modernization Act - refers to Republic Act No. 7898, which was enacted into law on 23 February 1995.

AFP Modernization Program or AFPMP - refers to the modernization program submitted by the President of the Philippines pursuant to Section 7 of the AFP Modernization Act and approved by Congress through Joint Resolution No. 28, dated 19 December 1996.

AFP Modernization Act Trust Fund or AFPMATF - refers to the trust fund created under Section 11 of the AFP Modernization Act.

Automated Information Systems - are usually associated with performing routine administrative and business tasks, such as payroll and accounting functions.

Bids and Awards Committees (BAC) - these are the committees constituted at AFP General Headquarters (GHQ) that conduct the public bidding and contract negotiations for equipment acquisition projects under the AFPMP. Their tasks start from the time the Chief of Staff, AFP receives the Secretary of National Defense (SND) directive to undertake bidding and negotiations for a specified project or projects, to the approval of the formal contractual agreement by the SND.

Bid and Evaluation Plan or BEP - a comprehensive document that contains the procedures for acquiring equipment or weapon systems, indicating the method of procurement, pre-qualification of bidders and the bidding process up to and including the contract award.

Circular of Requirements or COR - a document that defines the operational and technical requirement of the equipment or weapons systems to be procured. It is presented in the context of the national defense strategy, the likely operational scenarios and the doctrines or concept of operations in which such equipment or weapons system shall be employed. It likewise includes, as applicable, force restructuring, human resource development, base development and other support requirements. If the equipment is part of a systems-mix, this concept of systems-mix is also stated. Similarly, in the case of equipment or weapon systems, which have to be operationally inter-phased or integrated with civilian agencies of the government, the concept of inter-phase or integration shall be incorporated.

Contract - the agreement entered into and between two or more parties, signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

Equipment Acquisition - the first stage in the procedure for acquiring equipment and weapons systems under the capability, materiel and technology development component of the AFPMP. It includes formulating the COR and preparing the Bid Evaluation Plan (BEP).

Implementing Guidelines, Rules and Regulations or IGRR - refers to the guidelines, rules and regulations prescribed in DND Circular No. 1.

Information Technology Systems - includes both *National Security Systems* and *Automated Information Systems*.

Management - includes a set of tasks required to accomplish a specified project.

National Security Systems - used for intelligence and cryptology activities and command and control of military forces, or are integral to a weapons system, or critical to the direct fulfillment of a military or intelligence mission.

Procurement - the act of buying goods and services for the Government, often (and mistakenly) considered synonymous with acquisition; it is instead one of the many functions performed as part of the acquisition process.

Procurement Agency - refers to the General Headquarters, Armed Forces of the Philippines for acquisitions, under the capability, materiel and technology development component of the AFPMP. It refers to the Major Services for projects falling under the other components of the program.

Program Manager - is the individual within the DoD chartered to manage an acquisition program. The program manager has no other command or staff responsibilities.

Weapon System - refers to a combination of one or more weapons with related equipment, materials, services, personnel, and means of delivery and deployment required for self-sufficiency. It is the end item that will be used to perform the operational requirement of the capabilities to be developed or the sub-component of the end item.

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